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Country presentation submitted by the Russian Federation*

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STATEMENT BY THE RUSSIAN DELEGATION

at the second session of the Ad Hoc Working Group on Expansion of Trading Opportunities for Developing Countries

(22-26 November 1993)

The large-scale economic reform being carried out in Russia to switch from a centrally-planned to a market economy is not a painless process. The country is now experiencing a sizeable drop in production, high rates of inflation, rising prices and a decline in living standards.

The difficulties of the transitional period are also reflected in Russia's foreign trade, which fell 23 per cent in 1992 compared with 1991 and is continuing to decline at the same rate in 1993.

One consequence of this situation has been a reduction of Russia's share in world trade - from 3 per cent in the second half of the 1980s to 1 per cent in 1992.

The statistics available show how these trends are influencing our cooperation with developing countries. Thus, whereas in 1992 trade with African countries totalled $1.1 billion ($491 million in exports and $642 million in imports), for the first eight months of 1993 it was worth $431 million ($225 million in exports and $205 million in imports). The same trend is discernible in trade with Asian countries ($15.2 billion in 1992, of which $8.1 billion in exports and $7.1 billion in imports, but $9.3 billion in 1993, of which $6.2 billion in exports and $3.1 billion in imports).

The system regulating Russia's exports and imports is shaped by the desire to counteract the growing adverse trends in its foreign trade. The macroeconomic situation does not allow extensive use of budgetary and tax incentives to promote foreign economic relations or of credit and monetary controls to stabilize the rouble. Furthermore, the continued and even increasing raw-materials bias in the structure of our exports is a substantial negative factor, limiting the opportunities to expand the volume and geographical range of Russia's foreign economic links.

Under these conditions, the tasks which the Russian Federation has set itself are to:

- meet the national economy's critical needs for imported goods and foreign-currency income through centralized external trade transactions;

- re-establish State regulation of exports of the most important goods and of foreign-exchange earnings, as well as counter the practice of dumping;

- formulate a trade regime and legal framework for Russia's trade and economic relations with foreign countries.

A major contribution is continuing to be made towards stabilizing Russia's trade situation through the development and improvement of fundamental legislation on external economic activity taking into account generally recognized international standards and requirements.

One step in this direction was the adoption in 1993 of the Customs Tariff Act (No. 5003-1), which establishes the procedure for drawing up and applying the Russian Federation's customs schedule, the main aims of which are to:

- rationalize the commodity structure of goods imports into Russia;

- maintain a rational relationship between goods exports and imports and foreign-currency income and expenditure in the Russian Federation;

- provide conditions for Russia's effective integration into the world economy.

The outline plan for the development of Russian trade has, as one of its principal objectives, the strengthening of economic relations with developing countries.

It should be noted that, despite Russia's difficult economic situation, preferential treatment with respect to customs duties is extended, in accordance with the Customs Tariff Act, to goods imported from developing countries, within the framework of the national scheme of preferences - the rate being 50 per cent of the MFN rate. Goods imported from the least developed countries are exempted from customs duties.

The Russian market is for all practical purposes completely open to goods exports from developing countries. Broad export opportunities exist in Russia on account of the free financial resources of entrepreneurial structures, joint-stock companies and non-State organizations. There have already been examples of processed agricultural products from developing countries entering into successful price competition with similar goods from developed countries. The main point to note here is that, as the economic crisis is surmounted, the enormous opportunities of Russia's potentially huge market will be opened up even more to the developing countries. Therefore, as we see it, the focus now should be on promoting mutual cooperation. One important element of such cooperation might be an exchange of information concerning, on the one hand, export opportunities for developing countries - something that is already being done to some extent in this Working Group - and, on the other hand, Russia's import requirements. For this purpose, we propose to draw up a list of the goods most acutely needed in the Russian economy, together with a consolidated list of regulatory instruments applicable to foreign economic relations.

Let me conclude this statement on an optimistic note. Russia attaches great importance to expanding trade links with developing countries; realizing the

enormous potential that undoubtedly exists for doing so depends, on the one hand, on the establishment of a concrete dialogue between Russia and the developing countries and, on the other hand, on concrete steps towards the integration of Russia into the world economy.

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